

The President's Daily Brief

4 October 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Austrian officials are searching for ways to preserve their country as an emigration route for Soviet Jews without reneging on their pledge to close the Schonau transit center. (Page 1)

Soviet Foreign Ministry official Kuznetsov has privately summarized Moscow's current position on the force reduction talks. (Page 2)

Kosygin's visit to Yugoslavia marked another step in the improvement in Soviet-Yugoslav relations, despite continuing differences on some big issues. (Page 3)



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Chinese

Burma. (Page 5)

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Peking is purchasing factories from the West at a much higher rate than ever before. (Page 6)

On Page 7 we discuss the background of Bolivian President Banzer's decision not to visit Washington this month.

Notes on an easing of the price of gold, on Peron's call for a purge of Marxists, and on shifts of top figures in East Germany appear on Page 8.

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AUSTRIA - MIDDLE EAST

Austrian officials are searching for ways to preserve their country as an emigration route for Soviet Jews without reneging on their pledge to close the Schonau transit center. Chancellor Kreisky wants above all to prevent future terrorist incidents in Austria. The transit center had been the target of previous attacks, convincing Austrian officials that it was becoming an unacceptable security risk.

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Austrian officials argue that the closing of Schonau will have only minimal impact because most emigrants spend only two or three days there before departing for Israel. The lack of facilities will nevertheless create difficulties since the number of Soviet Jews passing through Austria is quite high, amounting to 678 last week.

Soviet media have given minimal coverage to the incident and have avoided noting that the terrorists' targets were Soviet emigrants.

This treatment reflects the broader dilemma Moscow faces in dealing with the problem of Jewish emigration--how to placate Western demands that restrictions be eased without further disturbing Soviet-Arab relations. The generally favorable reaction of Arab states to the terrorist incident makes the Soviet policy choice more difficult.

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USSR-MBFR

Soviet First Deputy Foreign Minister Kuznetsov told Under Secretary Casey on Tuesday that force reductions in Europe should apply to both stationed and indigenous forces. He did not state a preference between simultaneous reductions in both categories and the US approach of phased reductions starting with US and Soviet forces.

Kuznetsov said that detailed instructions for the Soviet delegation are still being prepared. He listed three other basic points that would go into the instructions: no harm should be done to the security interests of any state, stationed troops should return to their homeland with their armaments, and only the 11 "full" participants should make decisions at the talks. Each of them has been a staple of the Soviet position for some time.

Kuznetsov also made a strong pitch for continued US-Soviet consultation on force reduction questions, noting that "we" had worked out many problems during the preliminary talks and urging similar contacts when the substantive talks open in Vienna on October 30.

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USSR-YUGOSLAVIA

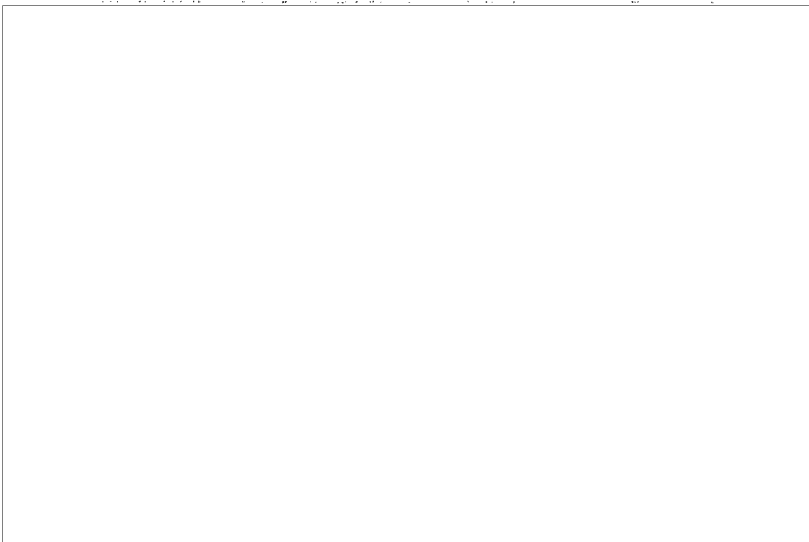
Premier Kosygin's week-long trip to Yugoslavia marked another step in the general improvement in relations since 1971, but left the two countries still at odds on some fundamental issues.

Kosygin stressed socialist cohesion while his hosts emphasized nonalignment and separate roads to socialism. The Yugoslavs persuaded the Soviets to insert favorable references to nonalignment and respect for the "existing characteristics" of the two countries into the final communiqué.

The two sides wrestled specifically with economic problems, presumably focusing on how Belgrade would use the \$540-million credit extended by Moscow last year. The communiqué does not indicate what, if any, specific agreements were reached. Its references to long-term cooperation and planning are couched in purely bilateral terms, avoiding any reference to CEMA, where Yugoslavia holds observer status.

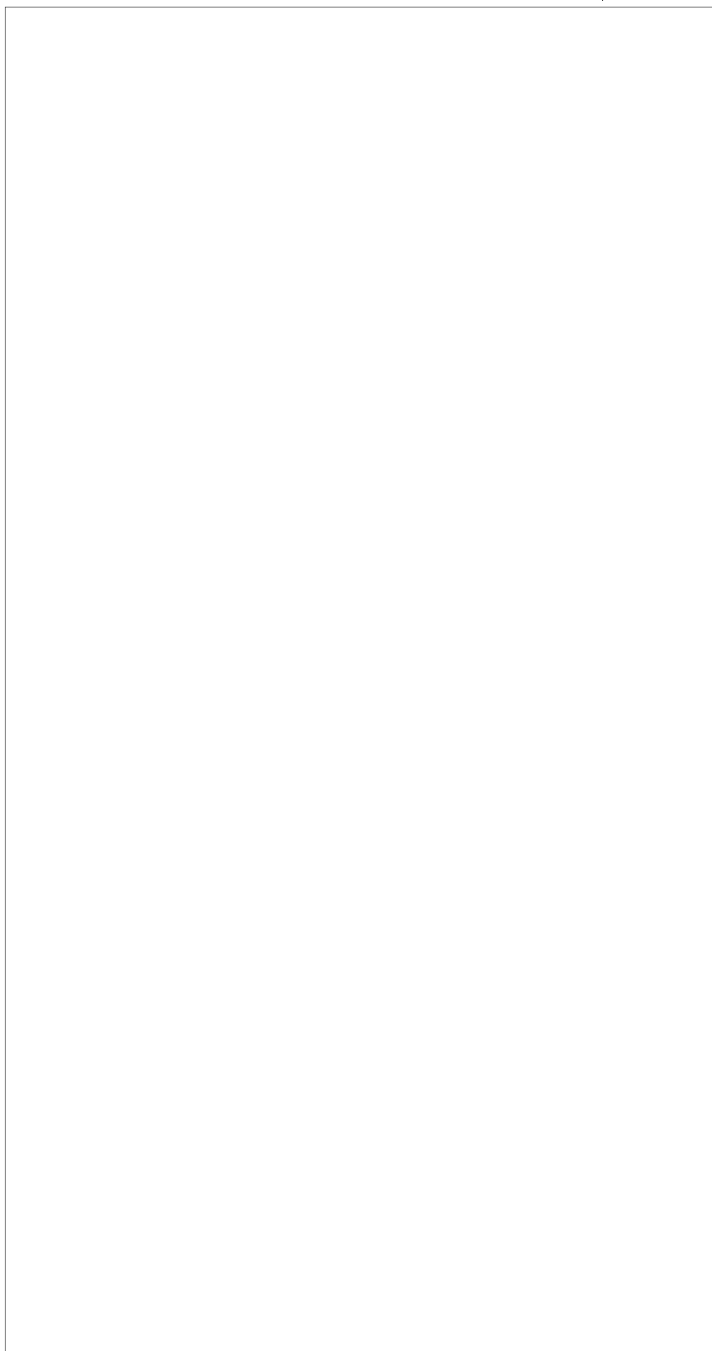
Kosygin traveled widely outside Belgrade, visiting four republics. The Yugoslavs interpreted his presence in Macedonia as support for their position in the age-old feud with Bulgaria. In a later speech, however, Kosygin offended some Yugoslavs by praising Soviet nationality policy while passing lightly over Yugoslavia's efforts in this field.

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CHINA-BURMA

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CHINA

Peking's purchase of a \$300-million petrochemical complex from France last week raises China's plant purchases this year to about \$900 million. The Chinese also are negotiating with both Japan and West Germany for a \$375-million steel mill.

This year's contracts, mostly for the fertilizer and synthetic fabric industries, already total about nine times the previous high set in 1965. The purchase from France is the largest import contract China has ever signed with a Western country.

The sharp increase reflects Peking's decision to make much greater use of foreign equipment and technology in seeking to increase agricultural production and provide more consumer goods.

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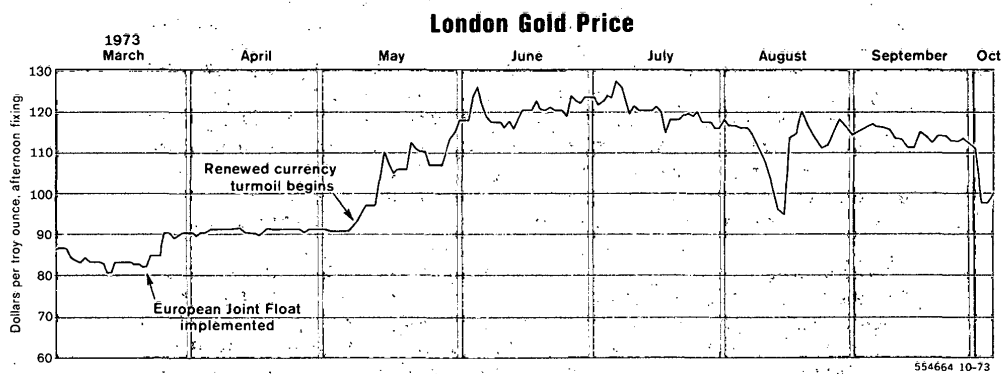
BOLIVIA

President Banzer's decision not to visit the US on October 16 as scheduled may well have been motivated by a belief that the trip would not produce significant economic aid.

The Bolivians have officially explained that stern new economic measures and the anticipated negative public reaction will require Banzer's presence in La Paz. Such measures are probably necessary before the IMF will advance further funds, but they could have been put off. Previous discussion centered on delaying the measures until after elections next May, and Banzer had hoped that the US trip would open up new financial sources and make austerity--always politically dangerous--unnecessary.

Banzer considers the US response to his expressed "needs" to be niggardly, however, and apparently sees no reason to come to Washington unless he can return with substantial aid. By dramatically showing his displeasure in a last-minute "postponement," he may hope to elicit a more sympathetic response.

It is also possible that Banzer fears a plot. He is aware that the largest party in his coalition is not fully committed to his government and that younger military officers are restive. In recently cracking down on labor unions, he alleged a vast conspiracy involving Cuba and political exiles, but these charges appear to be without substance.



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NOTES

Gold: For the first time since May, the price of gold has now remained below \$100 an ounce for three consecutive days. The IMF meetings in Nairobi produced no sign that an increase in the official gold price was in the offing, and this apparently helped reduce speculative demand. At the same time the principal gold suppliers, South Africa and the Soviet Union, have continued their relatively heavy sales. Two weeks ago Pretoria sold gold from reserves, as well as from new output, in order to pay for increased imports.

Argentina: Peron's call for a sweeping purge of all Marxist elements could stir up trouble with radical leftist youth and labor groups, and even with provincial governments. The potential for trouble is particularly strong within the labor movement, where a mass expulsion of leftists could lead to extensive violence. Suspicions that left-wing Peronists were responsible for the recent killing of a key labor leader may explain Peron's decision. It is also possible that the term "Marxist" will be applied indiscriminately to justify action against any opponent of the regime.

East Germany: With Premier Willi Stoph moving up to be chief of state, party leader Erich Honecker has promoted a protege, Horst Sindermann, to the premiership. Sindermann's new post gives him enhanced influence and enables Honecker to tighten his grip on the party and regime. Honecker now may seek to move further away from the collective leadership principle and toward personal dominance.

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